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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

Construction of additional conference facilities at Addis Ababa

Tenth report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the report of the Secretary-General on the construction of additional conference facilities at Addis Ababa (A/C.5/51/37/Add.1), which provides information on the outcome of recent discussions between the United Nations and the contractor at Addis Ababa on the settlement of time delays and financial claims, as well as additional costs arising from the telephone system contract.

2. The Secretary-General estimates the total project cost at approximately $115.2 million, an increase of $7.6 million over the appropriation of $107.6 million approved by the General Assembly. Furthermore, the Secretary-General proposes to apply the interest accrued from the construction-in-progress accounts of the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) to offset the increased costs of the Addis Ababa project. As indicated in paragraph 10 of the report (A/C.5/51/37/Add.1), the total interest that would be available to meet additional costs over and above the appropriation of $107,576,900 would be $7,911,373.

3. The Committee notes from paragraph 4 of the report that a final settlement of ECU 77.2 million ($94.3 million at May 1997 rates) was agreed by the United Nations and the contractor on 5 May 1997. The Committee was informed, upon request, that the amount of claims initially submitted by the contractor totalled ECU 103 million, broken down as follows:

(a) ECU 73 million for the value of the works;

(b) ECU 12 million for exchange rate fluctuations;

(c) ECU 18 million for the financial consequences of delays allegedly imposed or caused by the United Nations.

4. The Committee was informed that, as at 10 May 1997, the unpaid balance of the agreed settlement of ECU 77.2 million amounted to ECU 9.2 million; in accordance with the terms of the settlement agreement, this amount would be paid by no later than 30 September 1997.

5. Furthermore, as indicated in paragraph 8 of the Secretary-General's report, in addition to claims by the contractor of the project, the contractor of the telephone system intends to submit a financial claim for extra work and time delays; the Secretary-General anticipates, however, that should such a claim be submitted by the telephone contractor, the amount could be covered within the estimated final cost of the project.

6. As follows from the first part of paragraph 9 of the report, the final cost of the project ($115.2 million) may not, in fact, be really final since it is subject to settlement of the anticipated telephone claim and variations resulting from exchange rate fluctuations. However, the last sentence of the same paragraph indicates that this would be an increase of $7,651,594 (at the May 1997 exchange rate) over the amount of $107,576,900 approved by the General Assembly, which adds up to the estimated total cost of the project of $115.2 million. The Committee was provided, upon request, with a clarification of paragraphs 8 and 9 of the report. It has been explained to the Committee that, based on the information available at the time of the report, the estimate of $115.2 million was the best estimate of the total cost of the project, in view of a claim yet to be received from the telephone contractor and exchange rate fluctuations. The Secretary-General, in stating in paragraph 8 of his report that he anticipated that the amount of the claim could be covered within the estimated cost of $115.2 million, had already factored in an amount he considered to be a justifiable claim(s) irrespective of the contractor's position.

7. As indicated in paragraph 10 of the report, the Secretary-General proposes to apply the interest accrued from the construction-in-project accounts of ECA and ESCAP to offset the increased costs of the Addis Ababa project, thereby obviating the need for an additional appropriation from the General Assembly for the project. The Advisory Committee points out, in this connection, that regulation 4.1 of the Financial Regulations and Rules of the United Nations provides the following:

> 'The appropriations voted by the General Assembly shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.'

The Advisory Committee is of the view, therefore, that an increase of $7,651,594 (at the May 1997 exchange rate) over the amount of $107,576,900 previously approved by the General Assembly should be considered in the context of the mechanism of additional appropriations, rather than in the context of the use of available funds. The Committee points out, that the main purpose of

nstruction-in-progress accounts is to allow for carry-overs; accrued interest
such accounts should normally be credited to income section 2 of the budget.

In view of its above considerations and comments, the Advisory Committee
ommends that the General Assembly authorize an additional appropriation of
651,594 for the construction of additional conference facilities at Addis
aba over the appropriation of $107,576,900 previously approved for the
oject. Furthermore, the Committee recommends that the additional
propriation of $7,651,594 be funded through the use of the interest accrued
m the construction-in-project accounts of ECA and ESCAP, thus obviating the
ed for an additional assessment. The Advisory Committee notes from
ragraph 11 (c) of the Secretary-General's report that he is recommending that
e General Assembly request him to issue a full report on the construction at
dis Ababa to it at its fifty-second session in the context of the progress
port on construction of additional conference facilities at Addis Ababa.